

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-09 FRB-01 INR-07 NEA-10 NSAE-00 USIA-15
OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 AGRE-00
OMB-01 PA-02 PRS-01 /101 W
-----260158Z 044737 /73

R 260140Z JAN 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5061
INFO USDA/WASHDC
ALL OECD CAPITALS 0671
AMEMBASSY BELGRADE
USMISSION EC BRUSSELS
USMISSION GENEVA

UNCLAS OECD PARIS 02506

PASS USDA FOR WITCHER, KARPOFF, SHARPLESS, FAS; WILLETT,
J.J. MILLER, ERS

E.O. 11652: N/A
TAGS: EAGR OECD
SUBJECT: JAN 17-19 MEETING, WP NO. 3 (DAIRY PRODUCTS).
PART I.

1. SUMMARY. BRUGGER (SWISS) REELECTED CHMN. REGARDING
OUTLOOK, WP CONCLUDED THAT DESPITE DROUGHT IN EUROPE
AND AUSTRALIA OVERSUPPLY OF DAIRY PRODUCTS PERSISTS.
UPWARD TREND IN YIELD PER COW CHARACTERIZES OUTLOOK FOR
1977. ESTIMATED RATE OF INCREASE IN EC MILK PRODUCTION
1977, 2 - 2-1/2 PCT (CF WITH 1 - 2 PCT ESTIMATE FOR US),
CANADA AND AUSTRALIA ONLY COUNTRIES WHERE PRODUCTION
LIKELY TO DECLINE.

2. BRUGGER (SWISS) REELECTED CHAIRMAN (WP HAS NO VICE
CHAIRMAN), 17 MEMBER COUNTRIES PRESENT (ABSENT:
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MEDITERRANEAN COUNTRIES OTHER THAN FRANCE, ICELAND,
LUXEMBURG), ALSO PRESENT EC, FAO. AGENDA ADOPTED
(AGR/WP3/A(76)2.

3. DAIRY SITUATION AND OUTLOOK DISCUSSED (AGR/WP3(77)1)
MILK PRODUCTION IN OECD COUNTRIES INCREASED BY 2PCT IN
1976 WITH 4 PCT INCREASE IN US SIGNIFICANTLY CONTRIBU-

TING TO OVERALL RESULT. INCREASES IN EC COUNTRIES
AVERAGED 2 PCT DESPITE SEVERE SUMMER DROUGHT. LARGEST
PERCENT INCREASE WAS IN NEW ZEALAND (9 PERCENT); WHEREAS
DROUGHT AND GOVERNMENT MEASURES INTENSIFIED DOWNWARD
TREND OF AUSTRALIAN PRODUCTION TO A 14 PCT DECLINE.
CHEESE SECTOR ALSO CHARACTERIZED BY PRODUCTION
INCREASES WHICH AVERAGED 6 PCT (U.S. 18 PCT; EC 2 PCT).
WHILE DEMAND WAS STRONG IN U.S., EUROPEAN CONSUMPTION
INCREASED LITTLE. BUTTER PRODUCTION INCREASES AVERAGED
2 PCT (U.S. 0; EC, 4 PCT), CONSUMPTION DECLINED UNIVER-
SALLY, AND STOCKS INCREASED TO 550 TH M.T. (FROM 400
TH. M.T.). NFDM PRODUCTION AVERAGED 2 PCT LESS THAN IN
1975 BUT WAS UP 4 PCT IN EC. MOSTLY AS A RESULT OF
AUSTRALIAN AND NEW ZEALAND REDUCTIONS, JANUARY 1, 1977
NFDM STOCKS IN OECD WERE DOWN 5 PCT TO 1.938 MILLION TO,
BUT THEY WERE UP 3 PCT IN EC. SUMMER DROUGHT DID NOT
RESULT IN ACCELERATED DECLINE IN COW NUMBERS. MILD
FALL WEATHER AND SOME INCREASES IN THE FEEDING OF CON-
CENTRATES HAVE MADE UP FOR BELOW AVERAGE ROUGHAGE
SUPPLIES. THUS LONG-TERM UPWARD TREND IN YIELD PER
COW CHARACTERIZES OUTLOOK FOR 1977 DESPITE FINANCIAL
PROBLEMS RESULTING FROM DROUGHT. ESTIMATED RATE TOTAL
MILK PRODUCTION INCREASE IN 1977 2 - 2-1/2 PCT IN EC
(1 - 2 PCT IN U.S.). ONLY IN CANADA AND AUSTRALIA IS
OUTLOOK FOR DECLINE IN PRODUCTION. COUNTRIES MAY
ATTEMPT TO HOLD CHEESE PRODUCTION INCREASES IN LINE
WITH MODERATE PROSPECTIVE GROWTH IN CONSUMPTION; BUT
BUTTER PRODUCTION WILL INCREASE DESPITE THE DECLINE IN
CONSUMPTION. THE U.K. BUTTER SUBSIDY HAS BEEN PHASED
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OUT AND PRICES ARE HARMONIZED WITH THE EC; AUSTRALIANS
SEEM TO MOVE TOWARD MARGARINE; THUS CONSUMPTION MAY
DECLINE SUBSTANTIALY IN THESE 2 COUNTRIES AND ALSO IN
GERMANY. NFDM PRODUCTION WILL INCREASE IN PROPORTION
TO INCREASES IN BUTTER. IT WAS WIDELY HELD THAT SUB-
STANTIAL SALES FOR FEED AT SUBSIDIZED PRICES LOW ENOUGH
TO COMPETE WITH SOYBEAN MEAL ARE NECESSARY TO REDUCE
STOCKS. NFDM WILL ALSO CONTINUE TO FIND OUTLETS IN
AID PROGRAMS. THE WORKING PARTY CONCLUDED THAT
DESPITE DROUGHT IN EUROPE AND AUSTRALIA OVERSUPPLY OF
DAIRY PRODUCTS PERSISTS. A MORE PERMANENT REDUCTION
IN MILK SUPPLIES IS NECESSARY, SINCE POPULATION, CON-
SUMPTION AND PRICE TRENDS ARE WORKING AGAINST A SIGNI-
FICANT INCREASE IN COMMERCIAL DEMAND.

4. PART II OF REPORT ALREADY DRAFTED, WILL FOLLOW IN
SEPTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DAIRY PRODUCTS, MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP02506
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770027-0815
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770116/aaaaaocy.tel
Line Count: 115
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 432608d1-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3496459
Secure: OPEN
Status: NATIVE
Subject: JAN 17-19 MEETING, WP NO. 3 (DAIRY PRODUCTS). PART I.
TAGS: EAGR, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/432608d1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009